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TAGS: PREL PGOV EFIN EAIR EPET PM VE QAS IDB POL CHIEF  
SUBJECT: PANAMA-VENEZUELA RELATIONS STUCK ON INTERNAL  
SECURITY CONCERNS, HIGH OIL PRICES

REF: A. PANAMA 1415  
B. PANAMA 1423

Classified By: AMBASSADOR LINDA WATT FOR REASONS 1.4 (B) AND (D).

SUMMARY

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11. (C) Panamanian concerns about suspected Venezuelan meddling in Panama's internal politics and domestic headaches due to high oil prices prompted Panamanian Vice President/Foreign Minister Samuel Lewis and two GOP cabinet officials to meet Venezuelan Foreign Minister Ali Rodriguez in Caracas on July 6. (Minister of Government and Justice Hector Aleman (MOGJ) and Minister of Commerce and Industries (MOCI) Alejandro Ferrer accompanied Lewis. See Reftel B.) In recent conversations with POL Counselor, FM Lewis and MOCI Ferrer both complained that GOV officials were not prepared to discuss substance and treated the visit as a press event/photo-op. MOGJ Aleman told A/DCM that he wanted to explore what the GOV could offer on oil sales to stop Panamanian bus operators from going on strike for higher fares and prevent further internal political turmoil in Panama. To add insult to injury, GOV officials at the last moment canceled a sub-cabinet-level meeting planned for July 12 in Panama. The only thing GOP officials could say for sure is that Hugo Chavez is supposed to attend the July 28-29 Caribbean summit in Panama. The backdrop for the Caracas visit is the GOP's perceived need to isolate seditious union activists following the June 22 suspension of Law 17 on CSS (social security) reform. (See Reftel A.) End Summary.

Concerns About Domestic Stability

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12. (C) Panamanian FM Lewis and MOCI Ferrer separately told POL Counselor that their July 6 meeting with Venezuelan Foreign Minister Ali Rodriguez in Caracas was prompted by concerns that Venezuela might be sending financial aid to the GOP's radical opposition and to explore what the GOV might be willing to offer Panama on oil. The question in everyone's mind, FM Lewis explained, is whether Venezuela is supporting the GOP's most strident opponents -- the leftist SUNTRACS construction union and its eminence grise, former CSS boss Juan Jovane -- who recently have led attempts to derail CSS-social security reform. Given the poor state of Panama-Venezuela relations, Lewis said it was time to improve communications with the GOV. In addition, Lewis and MOGJ Aleman wanted to signal both the Venezuelans and SUNTRACS that the GOP will be closely watching for any signs of foreign financial support. Also, Lewis explained, the high price of oil has potential implications for domestic political stability. SUNTRACS is trying to convince angry Panamanian bus operators and taxi drivers to strike for permission to hike fares, which the GOP has refused. To head off such a strike, which would be debilitating, the GOP wants to lower the cost of gasoline or at least be seen trying to do so.

GOP Advises Chavez Not To Meddle

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13. (C) Lewis said that Venezuelan President Hugo Chavez had suggested the idea for visit at the June 18 MERCOSUR summit in Asuncion, Paraguay. According to MOGJ Aleman, Chavez asked Lewis, then in Asuncion representing Torrijos (who had stayed in Panama due to anti-CSS reform strikes), why bilateral relations were not better. Chavez noted he was a legitimately elected President and questioned why Panama had given him the cold shoulder. That was the genesis for the invitation to visit Caracas. Aleman said when he and Lewis told Chavez they would not tolerate Venezuelan meddling in Panama's internal affairs, Chavez denied supporting the radicals but added that he could not guarantee that no one else in Venezuela (such as governors or mayors) was "free-lancing." Later, in a pull aside in Caracas on July 6, FM Lewis and MOGJ Aleman told Venezuelan FM Rodriguez that, although they had no firm proof, they were watching the situation closely for evidence of Venezuelan support for radical groups in Panama. Lewis explained that he and Aleman wanted to put FRENADESSO (anti-CSS-reform activists) on warning that the GOP has its own means of tracking their

alleged foreign sponsors.

Diplomacy By Photo-Op

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14. (C) The July 6 Caracas visit quickly became a comedy of errors for the Panamanians, who complained about the GOV's management abilities. "I never saw people so disorganized in my life," Ferrer said. First, the Panamanians had to scramble to arrive on July 6 because the Venezuelans gave them just three days notice. Unexpectedly, on that day the Caracas airport temporarily closed. The Panamanians had to land in Maracaibo and spent several hours waiting to fly to Caracas. The meeting planned for 9 a.m. did not begin until 2 p.m. When the GOP delegation arrived, the Venezuelan ministers concerned with housing, health, and social issues, who were supposed to meet them, already had left. Lewis had a 20-minute, ceremonial meeting with Venezuelan Vice President Jose Vicente Rangel. From there, the Venezuelans led them directly into a news conference, where they had to face reporters' questions about their "discussions."

The Joint Statement

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15. (C) The two-hour Lewis-Rodriguez meeting that followed achieved little of substance and apparently was devoted to editing the joint statement released after the visit. Ferrer and Lewis said they objected when the Venezuelans wanted to make reference to ALBA (the anti-FTAA Alternativa Bolivariana) and PetroCaribe, which the two sides had never discussed. The Panamanians agreed to include a reference to Venezuela's right to request the extradition of Luis Posada Carriles. Lewis said the message to FM Rodriguez on suspected Venezuelan support for Panamanian radicals was accomplished in a pull-aside. On July 11, GOV officials faxed Panama to cancel their return visit without further explanation. (Note: In August 2004, a day or two before she left office, Panamanian President Mireya Moscoso pardoned Cuban-born Posada Carriles, now in the United States, and three Cuban-Americans, all of whom had been tried, convicted, and jailed in Panama for their roles in an alleged plot to assassinate Fidel Castro at the Ibero-American Summit in November 2000. That action led to a rupture of diplomatic relations with Cuba that continues and a temporary upset of relations with Venezuela. End Note.)

GOV Denies Agreement To Panama's Ambassador

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16. (C) Lewis said that he did not want Panama's poor relations with Venezuela to "make it easy" for Venezuela to channel money to the GOP's internal radical opposition. Lewis explained that he had inherited bad relations with Venezuela from the Moscoso government. Venezuela recently denied Agreement to Panama's choice for ambassador to Caracas, career diplomat Jose Maria Cabrera, due to his allegedly strong ties to former Venezuelan president Carlos Andres Perez, Lewis said. That action may have been tit-for-tat, as the Moscoso government had let a GOV November 2003 Agreement request for Venezuelan General de Division Eugenio Antonio Gutierrez Ramos lapse after 60 days, as the GOP thought the choice of a military officer inappropriate as an ambassador to Panama, a country without a military. On July 12, 2005 a new Venezuelan ambassador, Jose Luis Perisse (formerly vice minister of infrastructure in 2002, then ambassador to Algeria and Tunisia, not a military officer), arrived in Panama to replace ambassador Flavio Granados, who served for three years. Aleman noted that Panama was unusual in Latin America in not having open lines of communication with Venezuela, adding that Colombia, Argentina, Brazil, and the Dominican Republic all maintained ties.

2000 Caracas Agreement, COPA, Tax Havens, Chiriqui Oil Pipeline

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17. (C) Ferrer said he was "not optimistic" about reaching agreements with the Venezuelans. "For them, it's all about optics," he said. On July 6, Ferrer said he had planned to discuss the November 2000 Caracas Agreement, which Panama wants to implement. The Caracas Agreement offers concessionary Venezuelan financing for Panamanian oil purchases. Ferrer also wanted to see what price breaks were on offer on oil, if any. Panama is not interested in joining PetroCaribe, Ferrer said, adding that the GOV never raised the issue. Also, COPA Airlines would like to increase its flight frequencies to Caracas to 21 a week (from 14 now). In addition, Ferrer said he wanted to convince Venezuela to take Panama off its tax havens "black list." Finally, GOV-proposed renovations to a U.S.-operated pipeline in western Panama to carry Venezuelan crude to a Pacific Ocean port were never raised on July 6, Ferrer said.

18. (C) Aleman told A/DCM that polarization within Venezuela, with families divided between Chavista and opposition, reminded him of the situation in Panama in the late 1980s. He said there was no middle ground in Venezuela. Chavez's social programs are gaining support for the regime, and Aleman thought Chavez likely to win an election in 2007. Thus, the GOP reckons that Chavez may be around until 2012 and that Panama will have to deal with him.

"Pact With the Devil?"

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19. (C) To POL Counselor's query on whether Panama was making a "pact with the devil" by looking for concessionary oil prices from the Chavez government, Lewis said the high price of oil is causing great stress in Panama. Sixty-dollar-a-barrel oil kills economies like ours, Lewis explained, and puts small countries in a desperate position. It probably was inevitable that someone like Chavez would try to use his "outrageous wealth" to try to become a regional godfather, Lewis continued. With PetroCaribe, Chavez will be trying to control 14 votes at the OAS and eight at the IDB. But what's the alternative? The oil price issue by itself could make some countries ungovernable, he added. Panama's case is different because Panama "will not change its trajectory, we're committed to open markets," he said, but Panama is also interested in lower prices. If oil prices turn around, Lewis said, those guys (the Venezuelans) will be in trouble. The GOV is banking on prices of \$80-100 per barrel by the end of 2005 and "they're pissing it away like there's no tomorrow." Every dollar added to the oil price represents another billion dollars in annual oil revenues for Venezuela, he said.

Comment

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110. (C) Lewis's July 6 trip to Caracas raised eyebrows at the Embassy and in Washington, as the GOP knew it would. That is why FM Lewis contacted POL Counselor on July 5 with a heads up about the visit. (See Reftel B.) POL Counselor told MOCI Ferrer and FM Lewis separately that Washington was concerned about the optics of the visit. Both were at pains to palliate our concerns, except that Panama wants to find a way to lower the price of gasoline and head off the potential for a crippling bus and taxi strike. In any case, the estrangement, not to say the antipathy between the two governments may prove resistant to a quick fix. Given the low level of engagement reported, it seems unlikely that in the short term the GOP will accomplish much more than laying down a marker on internal security.

WATT